

TOWNSHIP OF FOREST HOME
ANTRIM COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Forest Home	County Antrim
Fiscal Year End March 31, 2006	Opinion Date May 26, 2006	Date Audit Report Submitted to State July 7, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

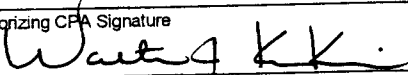
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☒ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Keskine, Cook, Miller & Alexander, LLP		Telephone Number 989-732-7515	
Street Address 100 West First Street		City Gaylord	State MI
Authorizing CPA Signature 		Printed Name Walter J Keskine	Zip 49735
		License Number 1101008795	

TOWNSHIP OFFICIALS

SUPERVISOR

TERRY SMITH

CLERK

SUZANNE MAHAN

TREASURER

THERESA KENT

TRUSTEES

DEAN CRANDALL

SCOTT STEINER

FOREST HOME TOWNSHIP

TABLE OF CONTENTS

	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis	2-4
Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Assets	5
Statement of Activities	6
Fund Financial Statements:	
Governmental Funds	
Balance Sheet	7
Reconciliation of the Balance Sheet to the Statement of Net Assets	8
Statement of Revenues, Expenditures and Changes In Fund Balance	9
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balance to the Statement of Activities	10
Fiduciary Funds	
Statement of Fiduciary Assets and Liabilities	11
Notes to Financial Statements	12-18
Required Supplemental Information	
Budgetary Comparison Schedule – General Fund	19-21
Budgetary Comparison Schedule – Road Fund	22
Budgetary Comparison Schedule – Ambulance Fund	23



Keskin, Cook, Miller & Alexander LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Walter J. Keskin, C.P.A.
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Richard W. Miller, C.P.A.
Ronald D. Alexander, C.P.A.
Curt A. Reppuhn, C.P.A.

INDEPENDENT AUDITOR'S REPORT

May 26, 2006

To the Township Board
Forest Home Township
Antrim County, Michigan

We have audited the accompanying financial statements of the governmental activities, and the major funds of the Township of Forest Home, as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities and the major funds activity of the Township of Forest Home as of March 31, 2006, and the respective changes in financial position thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2-4 and budgetary comparison information on pages 19-22 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

K. Keskin, Cook, Miller & Alexander LLP
KESKINE, COOK, MILLER, & ALEXANDER, LLP

Supervisor: Terry Smith
Clerk: Suzanne C. Mahan
Treasurer: Theresa Kent
Trustee: Dean Crandall
Trustee: Dan Steiner



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FOREST HOME TOWNSHIP MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED MARCH 31, 2006

This section of Forest Home Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended March 31, 2006. Please read it in conjunction with the financial statements that immediately follow this section.

Financial Highlights

Overall revenues for the primary government were approximately \$764,700 of which \$53,100 is classified as program revenues, and \$710,600 is classified as general revenues (consisting primarily of state shared revenues and property taxes). Overall expenses totaled approximately \$821,800 for the primary government. The activities of the Township have remained the same.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities. The remaining statements are fund financial statements, which focus on the detailed activities of the Township's funds.

The notes to the financial statements explain some of the information in the statements and provide more detailed data. Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

Government-Wide Statements

The government-wide statements report information about the Township as a whole using accounting methods used by private companies. The Statement of Net Assets includes all of the Township's assets and liabilities. The Statement of Activities records all of the current year revenues and expenses regardless of when received or paid.

The two government-wide statements report net assets and how they have changed. Net assets are the difference between the Township's assets and liabilities and this is one method to measure the Township's financial health or position.

Over time, increases or decreases in an entity's net assets is an indicator of whether financial position is improving or deteriorating.

To assess overall health of an entity, you may also have to consider tax base changes and other various economic conditions.

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's funds. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following kinds of funds:

Governmental Funds: All of the Township's activities are classified in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that differences between the government-wide statements and the fund statements are disclosed to explain the difference between them.

General Fund – this fund accounts for all activities of the Township not required to be reported in a separate fund. Revenues consist primarily of property taxes and state shared revenues. Expenditures consist of general government activities, cemetery, building and grounds and street lights.

Roads Fund – this fund accounts for the road millage and road repair and maintenance expenditures.

Ambulance Fund – this fund accounts for the ambulance millage and payments to the Township Ambulance Authority.

Financial Analysis of the Township as a Whole

Net Assets - the Township's net assets decreased by approximately \$58,000 during the year ended March 31, 2006 totaling at year-end \$1,670,715. The negative change in net assets is due primarily to the completion of various large road projects completed during the fiscal year. The Net Assets within the Road Fund decreased by approximately \$127,400 totaling approximately \$233,300 at year-end. The General Fund Net Assets increased by approximately \$72,800 during the fiscal year and totaled approximately \$658,600 at year-end.

Capital Asset and Long-Term Debt Activity

The Township did not make any capital asset purchases during the current year. Depreciation expense totaled \$3,433.

The Township has no outstanding long-term debt.

Known Factors affecting Future Operations

None.

Contacting Township Management

This financial report is designed to provide our taxpayers, creditors and investors with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have questions concerning this report, please contact any member of the Township Board at P.O. Box 317, Bellaire, MI 49615.



Terry Smith, Supervisor

**TOWNSHIP OF FOREST HOME
STATEMENT OF NET ASSETS
MARCH 31, 2006**

	PRIMARY GOVERNMENT - GOVERNMENTAL ACTIVITIES
<hr/>	
ASSETS	
Cash	\$ 522,355
Investments	169,203
Accounts Receivable:	
Delinquent Taxes Receivable	19,280
Receivable from Tax Collection Fund	192,636
Prepaid Pension Expense	6,840
Capital Assets, Net of Accumulated Depreciation	778,684
	<hr/>
Total Assets	1,688,998
 LIABILITIES	
Accounts Payable and Accrued Liabilities	18,283
	<hr/>
NET ASSETS	
Invested in Capital Assets	778,684
Restricted for Road Repair and Maintenance	233,392
Net Assets, Unreserved	658,639
	<hr/>
Total Net Assets	\$ 1,670,715
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See accompanying notes to financial statements.

TOWNSHIP OF FOREST HOME
STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2006

	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS & CONTRI- BUTIONS	CAPITAL GRANTS & CONTRI- BUTIONS
GOVERNMENTAL ACTIVITIES:				
General Government	\$ (458,947)	\$ 53,164	\$ -	\$ -
Public Safety	(70,265)	-	-	-
Parks and Recreation	(9,606)	-	-	-
Public Works	(283,048)	-	-	-
Total Governmental Activities	(821,866)	53,164	-	(768,702)

GENERAL REVENUES

Property Taxes:				
Levied for General Operating Purposes				147,338
Levied for Fire Protection				223,871
Levied for Ambulance Services				70,265
Levied for Road Repair and Maintenance				147,338
State Shared Revenue (not restricted to specific purpose)				92,256
Metro Act Revenue				3,576
Interest Earnings				19,224
Miscellaneous				6,795
Total General Revenues				710,663
Change in Net Assets				(58,039)
Net Assets - Beginning of Year				1,728,754
Net Assets - End of Year				\$ 1,670,715

See accompanying notes to financial statements.

**TOWNSHIP OF FOREST HOME
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2006**

MAJOR FUNDS

	<u>GENERAL</u>	<u>ROADS</u>	<u>AMBULANCE</u>	<u>TOTAL</u>
ASSETS				
Cash and Equivalents	\$ 368,691	\$ 153,664	\$ -	\$ 522,355
Investments	100,000	69,203	-	169,203
Delinquent Taxes Receivable	7,784	7,784	3,712	19,280
Due from Other Funds	-	2,422	-	2,422
Due from Tax Collection Fund	192,155	319	162	192,636
Prepaid Pension Expense	6,840	-	-	6,840
	<u>675,470</u>	<u>233,392</u>	<u>3,874</u>	<u>912,736</u>
Total Assets	<u>675,470</u>	<u>233,392</u>	<u>3,874</u>	<u>912,736</u>
LIABILITIES AND FUND EQUITY				
Liabilities:				
Due to Other Funds	2,422	-	-	2,422
Accrued Payroll Liabilities	2,492	-	-	2,492
Due to Other Governments	11,917	-	3,874	15,791
	<u>16,831</u>	<u>-</u>	<u>3,874</u>	<u>20,705</u>
Total Liabilities	<u>16,831</u>	<u>-</u>	<u>3,874</u>	<u>20,705</u>
Fund Balance:				
Undesignated	658,639	233,392	-	892,031
	<u>675,470</u>	<u>233,392</u>	<u>3,874</u>	<u>912,736</u>
Total Liabilities and Fund Equity	<u>\$ 675,470</u>	<u>\$ 233,392</u>	<u>\$ 3,874</u>	<u>\$ 912,736</u>

See accompanying notes to financial statements.

**TOWNSHIP OF FOREST HOME
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
MARCH 31, 2006**

TOTAL FUND BALANCES - GOVERNMENTAL ACTIVITIES (PER BALANCE SHEET - PAGE 7)	\$ 892,031
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Amounts reported for governmental activities in the Statement of Net
Assets (page 5) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not recorded in the funds	778,684
	<hr/>

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES (PER STATEMENT OF NET ASSETS - PAGE 5)	\$ 1,670,715
	<hr/> <hr/>

See accompanying notes to financial statements.

**TOWNSHIP OF FOREST HOME
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2006**

	<u>MAJOR FUNDS</u>			
	<u>GENERAL FUND</u>	<u>ROADS FUND</u>	<u>AMBULANCE FUND</u>	<u>TOTAL</u>
REVENUES				
Current Property Taxes	\$ 371,208	\$ 147,338	\$ 70,265	\$ 588,811
State Shared Revenues	92,256	-	-	92,256
Charges for Services	53,164	-	-	53,164
Interest	13,963	5,262	-	19,225
Other	10,371	-	-	10,371
Total Revenues	540,962	152,600	70,265	763,827
EXPENDITURES				
Current:				
General Government	455,776	-	-	455,776
Public Works	3,037	280,011	-	283,048
Parks and Recreation	9,345	-	-	9,345
Public Safety	-	-	70,265	70,265
Total Expenditures	468,158	280,011	70,265	818,434
Excess (Deficiency) of Revenues Over (Under) Expenditures	72,804	(127,411)	-	(54,607)
Fund Balance - Beginning of Year	585,835	360,803	-	946,638
Fund Balance - End of Year	\$ 658,639	\$ 233,392	\$ -	\$ 892,031

See accompanying notes to financial statements.

**TOWNSHIP OF FOREST HOME
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2006**

**NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS
(PAGE 9)**

\$ (54,607)

Amounts reported for governmental activities in the Statement of
Activities (page 6) are different because:

Depreciation expense is recorded in the Statement of Activities but
not the fund financial statements.

(3,432)

**CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES (PER
STATEMENT OF ACTIVITIES - PAGE 6)**

\$ (58,039)

See accompanying notes to financial statements.

**TOWNSHIP OF FOREST HOME
STATEMENT OF FIDUCIARY NET ASSETS
MARCH 31, 2006**

ASSETS	
Cash	\$ 192,716
Due From County for Delinquent Taxes	11,917
Total Assets	<u>204,633</u>
LIABILITIES	
Due to Other Funds	192,636
Due to Others	11,997
Total Liabilities	<u>204,633</u>

See accompanying notes to financial statements.

**TOWNSHIP OF FOREST HOME
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

NOTE 1: ENTITY

The Township of Forest Home is a general law township of the State of Michigan located in Antrim County, Michigan. It operates under an elected board and provides service to its residents in many areas including law enforcement, community enrichment and human services.

The criteria for determining the various governmental functions to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financing relationships. On this basis, the financial statements include all of the governmental functions of the Township of Forest Home.

JOINT VENTURE

The Bellaire District Fire Authority is a joint venture created December 1973 by Forest Home and Kearney Townships, of Antrim County, Michigan. The Bellaire District Fire Authority is organized under PA 7 of 1967 and PA 365 of 1982 of the Michigan Compiled Laws. The board was organized to better serve the citizens of the townships and the Village of Bellaire.

The Department is under the control of a Board consisting of two members from each Township and a member residing in the Village of Bellaire. Each township appoints two Board members and an at large member is selected from the Village of Bellaire. The Board's duties are to oversee operations, maintain assets, and communicate with the Fire Chief and their respective municipal boards.

Funding for the Fire Board's operations is largely provided by an assessment to each township approximately equal to a 1 mill levy on the taxable value of the geographical area covered. The Fire Authority's boundaries include all of Forest Home and Kearney Townships.

The Bellaire District Fire Authority is audited under separate cover. Financial statements can be obtained at 321 N. Bridge Street, Bellaire, MI 49615.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices of Forest Home Township are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations including required disclosures of the Township's financial activities.

**TOWNSHIP OF FOREST HOME
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2006**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The accounting policies of Forest Home Township conform to the generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Township as a whole, excluding fiduciary activities such as tax collection activities.

Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Township general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. At this time, the Township has no business-type activities.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with functional programs. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Township's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental and fiduciary funds. Major individual governmental funds are reported in separate columns with composite columns for non-major funds. The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this note.

**TOWNSHIP OF FOREST HOME
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2006**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND TYPES AND MAJOR FUNDS

Governmental Funds

The Township reports the following major governmental funds:

General Fund - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants and other inter-governmental revenues.

Roads Fund – This fund is used to account for the financial activity related to the repair and maintenance of Township roads. Revenues are derived primarily from property taxes.

Ambulance Fund – This fund is used to account for the financial activity related to ambulance services for the Township. Revenues are derived from property taxes.

Other Funds

Fiduciary Funds - These funds are used to account for assets held in trust or as an agent for others. Tax collection activities are recorded in this category. Fiduciary activities are not reported in the government-wide financial statements, in accordance with GASB Statement No. 34.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The financial statements of the Township are prepared in accordance with generally accepted accounting principles (GAAP). The Township applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Township does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

Government-Wide Financial Statements

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Township departments. Fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when

**TOWNSHIP OF FOREST HOME
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2006**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental Fund Financial Statements

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available.

Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Township considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Property tax revenues are recognized as follows:

Properties are assessed as of December 31 and the related property taxes are levied on December 1 of the following year. These taxes are due on February 15; uncollected amounts are subsequently added to the county delinquent tax rolls. A county revolving fund normally pays the balance of the Township's tax levy by May 31 of each year. In accordance with GASB 33 "Accounting and Financial Reporting for Nonexchange Transactions", the Township records the property tax revenue when it becomes an enforceable legal claim for the Township. Therefore, all taxes levied on December 1, 2005, are recorded as revenue in the current year. The Township's taxable value for the 2005 tax year totaled \$150,734,941.

The tax rates for the year ended March 31, 2006, were as follows:

PURPOSE	RATE/ASSESSED VALUATION
General	0.9798 mills per \$1,000
Fire (Voted Special Assessment)	1.5000 mills per \$1,000
Road (Voted)	0.9798 mills per \$1,000
Ambulance (Voted)	0.4673 mills per \$1,000

BUDGET

Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

**TOWNSHIP OF FOREST HOME
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2006**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

BUDGET (CONTINUED)

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional and activity basis. The approved budgets of the Township for these budgetary funds were adopted on an activity level. Budgets as adopted end on March 31 of each year. There are no carryover budget items. The Township experienced overexpenditures in the Road Fund of \$97,812; no other overexpenditures existed during the year.

CAPITAL ASSETS AND DEPRECIATION

The Township's property, plant, and equipment, with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The Township generally capitalizes assets with historical cost of \$1,500 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Computers and peripherals	1 – 3 years
Office furniture	5 – 20 years
Township vehicles	4 – 7 years
Buildings and improvements	25 – 40 years
Land improvements	10 – 20 years
Machinery and equipment	5 – 10 years

Land and construction in progress are not depreciated.

For information describing capital assets, see Note 4.

USE OF ESTIMATES

The financial statements have been prepared in conformity with generally accepted accounting principles as applicable to governments and, as much, include amounts based on informed estimates and judgements of management with consideration given to materiality. Actual results could differ from those estimates.

**TOWNSHIP OF FOREST HOME
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2006**

NOTE 3: CASH AND INVESTMENTS

Michigan Compiled Laws, Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivision, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local unit of government in Michigan.

The Township utilizes two area banks to maintain deposit accounts. At year end, the cash and investment balances were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash	522,355	192,716	715,071
Investments	<u>169,203</u>	<u>0</u>	<u>169,203</u>
Total	<u><u>691,558</u></u>	<u><u>192,716</u></u>	<u><u>884,274</u></u>

Cash is made up of checking accounts held by the Township. Investments are certificates of deposits purchased by the Township with original maturities greater than 90 days.

The bank balance of the Township's cash and investments is \$902,366, of which \$300,000 is covered by federal depository insurance. The remainder was uninsured and uncollateralized. The Township believes that due to the dollar amounts of the cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**TOWNSHIP OF FOREST HOME
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2006**

NOTE 4: CAPITAL ASSETS

	Balance April 1, 2005	Additions	Disposals	Balance March 31, 2006
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 726,400	\$ -	\$ -	\$ 726,400
Capital assets being depreciated:				
Buildings	86,703	-	-	86,703
Furniture and Equipment	22,321	-	-	22,321
Subtotal	109,024	-	-	109,024
Accumulated depreciation:				
Buildings	35,303	2,167		37,470
Furniture and Equipment	18,005	1,265		19,270
Subtotal	53,308	3,432	-	56,740
Net capital assets being depreciated	55,716	(3,432)	-	52,284
Net capital assets	<u>\$ 782,116</u>	<u>\$ (3,432)</u>	<u>\$ -</u>	<u>\$ 778,684</u>

Depreciation expense was charged to functions of the Township as follows:

Governmental Activities

General Government	\$ 3,172
Parks and Recreation	260
Total	<u>\$ 3,432</u>

NOTE 5: CONTINGENCIES

INSURANCE

The Township is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; error and omission; injuries to employees; and natural disasters.

The Township participates in the Michigan Township Participating plan, a self insured group. The pool is considered a public entity risk pool. The Township pays annual premiums to the pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims for each occurrence with the overall maximum coverage varying depending on the specific type of coverage of reinsurance. The Township has not been informed of any special assessments being required. There were no significant changes in coverage.

**TOWNSHIP OF FOREST HOME
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED MARCH 31, 2006**

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
REVENUES				
Current Property Taxes	\$ 356,070	\$ 356,070	\$ 371,208	\$ 15,138
State Shared Revenues	77,890	77,890	92,256	14,366
Charges for Services	41,515	41,515	53,164	11,649
Interest	9,000	9,000	13,963	4,963
Other	14,100	14,100	10,371	(3,729)
Total Revenues	498,575	498,575	540,962	42,387
EXPENDITURES				
GENERAL GOVERNMENT				
Township Board:				
Wages	5,000	5,000	4,500	500
Social Security	8,000	8,000	6,802	1,198
Office Supplies	7,500	7,500	3,935	3,565
Data Processing	10,000	10,000	7,214	2,786
Legal and Professional	25,000	25,000	14,544	10,456
Audit	25,000	25,000	12,140	12,860
Education	5,000	5,000	1,258	3,742
Pension	15,000	15,000	13,186	1,814
Printing and Publishing	5,000	5,000	3,162	1,838
Bonds and Insurance	8,000	8,000	7,819	181
Dues and Memberships	3,500	3,500	2,389	1,111
Spring Clean-Up Expenses	30,000	30,000	25,680	4,320
Miscellaneous	11,500	11,500	2,353	9,147
Computer- Equipment	10,000	10,000	-	10,000
Capital Outlay	6,000	6,000	2,642	3,358
Total Township Board	174,500	174,500	107,624	66,876
Township Supervisor:				
Salary	14,500	14,500	14,500	-
Deputy	2,400	2,400	2,400	-
Postage	1,500	1,500	860	640
Dues and Membership	250	250	20	230
Total Township Supervisor	18,650	18,650	17,780	870
Election Board:				
Salaries	3,000	3,000	917	2,083
Supplies	2,000	2,000	1,252	748
Total Election Board	5,000	5,000	2,169	2,831

**TOWNSHIP OF FOREST HOME
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED MARCH 31, 2006**

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
Township Assessor:				
Contract Services	21,000	21,000	21,000	-
Total Township Assessor	21,000	21,000	21,000	-
Township Clerk:				
Salaries	20,000	20,000	20,000	-
Deputy Clerk	3,000	3,000	3,000	-
Postage	1,000	1,000	559	441
	24,000	24,000	23,559	441
Board of Review:				
Salaries	2,500	2,500	975	1,525
Total Board of Review	2,500	2,500	975	1,525
Township Treasurer:				
Salary	20,000	20,000	20,000	-
Deputy	5,000	5,000	5,000	-
Postage	4,000	4,000	2,743	1,257
Total Township Treasurer	29,000	29,000	27,743	1,257
Township Hall:				
Utilities	8,000	6,500	6,918	(418)
Repair and Maintenance	5,000	5,000	1,748	3,252
Total Township Hall	13,000	11,500	8,666	2,834
Planning/Zoning Board:				
Planning/zone Admin Wages	22,600	22,600	18,540	4,060
Legal & Professional	25,000	25,000	438	24,562
Transportation & Misc.	5,000	5,000	1,320	3,680
Total Planning /Zoning	52,600	52,600	20,298	32,302
Cemetery				
Cemetery Services	8,000	8,000	2,091	5,909
Capital Outlay	150,000	150,000	-	150,000
Total Cemetery	158,000	158,000	2,091	155,909
Fire Protection				
Fire Protection	223,871	223,871	223,871	-
Total Fire Protection	223,871	223,871	223,871	-
Total General Government	722,121	720,621	455,776	264,845

**TOWNSHIP OF FOREST HOME
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED MARCH 31, 2006**

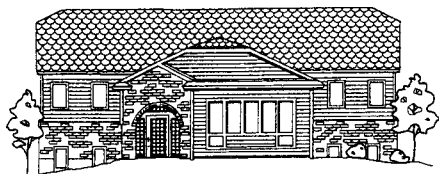
	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
PUBLIC WORKS				
Roads & Streets:				
Street Lighting	4,000	4,000	3,037	963
PARKS AND RECREATION				
Parks:				
Park Maintenance	40,000	40,000	9,345	30,655
Total Expenditures	<u>766,121</u>	<u>764,621</u>	<u>468,158</u>	<u>296,463</u>
Excess (Deficiency) of Revenues over (under) Expenditures	(267,546)	(266,046)	72,804	338,850
Fund Balance - Beginning of Year	<u>585,835</u>	<u>585,835</u>	<u>585,835</u>	<u>-</u>
Fund Balance - End of Year	<u><u>\$ 318,289</u></u>	<u><u>\$ 319,789</u></u>	<u><u>\$ 658,639</u></u>	<u><u>\$ 338,850</u></u>

**TOWNSHIP OF FOREST HOME
BUDGETARY COMPARISON SCHEDULE - ROADS FUND
YEAR ENDED MARCH 31, 2006**

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
REVENUES				
Current Property Taxes	\$ 132,199	\$ 132,199	\$ 147,338	\$ 15,139
Interest	-	-	5,262	5,262
Total Revenues	132,199	132,199	152,600	20,401
EXPENDITURES				
Road Repairs and Maintenance	182,199	182,199	280,011	(97,812)
Excess (Deficiency) of Revenues over (under) Expenditures	(50,000)	(50,000)	(127,411)	(77,411)
Fund Balance - Beginning of Year	360,803	360,803	360,803	-
Fund Balance - End of Year	<u>\$ 310,803</u>	<u>\$ 310,803</u>	<u>\$ 233,392</u>	<u>\$ (77,411)</u>

**TOWNSHIP OF FOREST HOME
BUDGETARY COMPARISON SCHEDULE - AMBULANCE FUND
YEAR ENDED MARCH 31, 2006**

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
REVENUES				
Taxes and Assessments	\$ (70,265)	\$ (70,265)	\$ (70,265)	\$ -
EXPENDITURES				
Ambulance Services	70,265	70,265	70,265	-
Excess (Deficiency) of Revenues over Expenditures	-	-	-	-
Fund Balance - End of Year	\$ -	\$ -	\$ -	\$ -



Keskin, Cook, Miller & Alexander LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Walter J. Keskin, C.P.A.
Jeffrey B. Cook, C.P.A.
Richard W. Miller, C.P.A.
Ronald D. Alexander, C.P.A.
Curt A. Reppuhn, C.P.A.

May 26, 2006

To the Township Board
Township of Forest Home, Antrim County

We have audited the financial statements of Forest Home Township for the year ended March 31, 2006, and have issued our report thereon dated May 26, 2006. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated March 1, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Forest Home Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Forest Home Township are described in the notes to the financial statements.

We noted no transactions entered into by the Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. The following attached page summarize the adjustments that were proposed to management and made to the audited financial statements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Difficulties Encountered in Performing the Audit

The accounting records of Forest Home Township were well organized and we are happy to report that there were no significant difficulties encountered in performing the audit.

Comments and Recommendations

In planning and performing our audit of the financial statements of Forest Home Township, we considered the Township's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

During our audit procedures, we became aware of certain matters that represent opportunities for strengthening internal controls and operating efficiency. The following comment and recommendation should be implemented to the extent possible in order to strengthen internal controls and operating efficiency.

- The Township was in violation of the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended), by the overexpenditures of \$ 97,812 in the Road Fund. We recommend that the Township use its budgets as flexible management tools and amend when necessary to avoid overexpenditures.

We hope you find the above comment and recommendation useful. We are available to assist you in implementing this item should the need arise.

This information is intended solely for the information of the Township Board and management and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, appearing to read "K. K. Cook Miller, Alexander LLP". The signature is written in a cursive, flowing style.

Keskine, Cook, Miller & Alexander LLP

Adjusting Journal Entries
Forest Home Township
March 31, 2006

6/9/2006 4:30:13 PM

Done by:	Date:	Index:
Reviewer:	Date:	

AJE No.	Account Description	W/P Ref	Account Number	Debits	Credits
1	GENERAL FUND BALANCE	PY	101-000-390-101		83,973.47
1	FUND BALANCE		202-000-390		44,212.73
1	DUE FROM OTHER FUNDS		202-000-084		16,173.61
1	DUE TO ROAD FUND		101-000-215	20.00	
1	TO BALANCE		101-000-690	128,165.80	
1	DUE FROM CTC		202-000-084.1	16,174.01	
To adjust fund balance to actual					
2	DUE FROM CURRENT TAX COLLECTION	R-	101-000-084	17,484.43	
2	DELINQUENT TAXES		101-000-413	8,540.52	
2	CURRENT TAX COLLECTIONS		101-000-403	15,414.51	
2	INTEREST ON INVESTMENTS		101-000-665	380.75	
2	DUE FROM COUNTY		101-000-072		105.18
2	P.T.A.F.		101-000-447		41,715.03
2006 General Fund Property tax adjustment					
3	DUE FROM COUNTY	R-	202-000-072	567.70	
3	DELINQUENT PROPERTY TAXES		202-000-407	7,220.83	
3	Misc Road Millage		202-000-408	58,077.20	
3	Misc. - Road Millage		202-000-409	25,839.50	
3	CURRENT PROPERTY TAXES		202-000-403		75,516.31
3	DUE FROM CTC		202-000-084.1		15,855.33
3	INTEREST		202-000-664		333.59
2006 Road fund property tax adjustment					
4	MISCELLANEOUS	R-2	101-000-695	18,000.38	
4	Metro Act Revenue		101-000-695.1		3,576.38
4	STATE REVENUE SHARING		101-000-574		14,424.00
4	REIMBURSEMENTS		101-000-676	8,829.12	
4	CHARGES FOR SERVICES OTHER		101-000-627		8,829.12
To reclassify revenues					
5	CASH	R-3	701-000-001	192,715.45	
5	Due From County for Delinquent Taxe		701-000-026	11,917.05	
5	DUE TO OTHER GOVERNMENTS		701-000-230		11,989.75
5	DUE TO OTHER FUNDS		701-000-214		192,642.75
To record property tax account as of 3/31/06					
6	Due from CTC	R-1, R-3	210-000-071	162.47	
6	DUE FROM COUNTY		210-000-072	3,711.92	
6	Due to Ambulance		210-000-214		3,874.39
6	AMBULANCE SERVICE		210-000-810	70,264.95	
6	PROPERTY TAXES - AMB		210-000-403		70,264.95
To record ambulance balances as of 3/31/06					
7	Dep Exp - Parks	K-1	901-000-980.1	260.90	
7	Dep Exp - Bldg and Grounds		901-000-980	2,167.63	
7	Dep Exp - gen govt		901-000-980.3	1,004.00	
7	Accum Dep		901-000-160		3,432.53
GASB 34 fixed asset entry					
Totals				586,919.12	586,919.12